

MINUTES OF THE CAPITAL PLANNING ADVISORY BOARD

May 6, 1996

The first meeting of the Capital Planning Advisory Board in 1996 calendar year was held on Monday, May 6, 1996 at 10:00 AM, in Room 327 of the Capitol. Representative Fred Nesler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Fred Nesler, Chairman; Bill Hintze, Vice-Chairman; Susan Clary; James Codell; Gary Cox; Paul Isaacs; Lou Karibo; Senator Denny Nunnelley; Diane Thompson; Laurel True; and Judge Anthony Wilhoit.

Guests: Sherron Jackson, Council on Higher Education; Kenneth Dressman and Alex Hamilton, Department of Corrections; M. L. Allen, University of Kentucky; and Armond Russ, Department for Facilities Management.

LRC Staff: Pat Ingram, Mary Lynn Collins, Jonathan Downey.

Chairman Nesler welcomed the 3 new members of the Capital Planning Advisory Board: James Codell, Lou Karibo, and Diane Thompson. Ms. Thompson is the Nelson County Circuit Clerk and is also the President of the Kentucky Circuit Clerks Association. Mr. Codell is the Deputy Secretary of the Transportation Cabinet. Mr. Karibo is the Executive Director of Historic Properties in the Finance and Administration Cabinet.

Chairman Nesler also recognized the contributions of Clark Beauchamp, who began serving on the Board in 1992 and retired from State Government in February 1996. Chairman Nesler asked Pat Ingram, Staff Administrator, to read a resolution in honor of Mr. Beauchamp. Senator Nunnelley moved that the resolution be adopted. Ms. Clary seconded the motion, which was adopted by voice vote.

Chairman Nesler welcomed Jonathan Downey as the new Secretary for the Board.

Chairman Nesler gave a brief overview of the Board and its responsibilities and functions. He said the primary responsibility of the Board, with members representing all 3 branches of government, is to develop a statewide capital improvements plan. The plan is to be submitted to the heads of all 3 branches of government by November 1 of odd-numbered years so that it can be used in the upcoming budget process and legislative

session. The statewide plan is based on plans submitted by all state agencies and universities. He noted that the Board was created by the 1990 General Assembly, and that it has now completed 3 statewide capital plans. Chairman Nesler stated that these plans have not only included recommendations on specific projects, but also recommendations on various issues that relate to state capital projects.

Mr. True moved to approve the minutes of the Board's October 11, 1995 meeting, as distributed. Judge Wilhoit seconded the motion, which passed by voice vote.

Chairman Nesler stated that at the last meeting, the Board decided to send a letter to the Court Facilities Standards Committee reflecting the Board's discussions of various court facilities issues. He asked Mr. Isaacs to give the Board an update on the Committee's activities. Mr. Isaacs stated that since the Board's last meeting, the Court Facilities Standards Committee elected a new Chairman, Representative Mike Bowling. Mr. Isaacs said that during the last legislative session a couple of things happened that may dictate the Committee's future agenda. A proposal was approved by a House committee that would have appropriated funds into the 1996/98 budget for courts projects that were in the planning stage but not projected to come on line during the biennium. He said the concepts behind this funding were: 1) to provide funds for pre-planning, 2) that the funding would be available to pay some of the usage fee if these projects did come on line before projected, and 3) that providing some funding could improve the rating of the bonds, thus the cost of the bonds might be lower which would lower the overall cost of the project. Mr. Isaacs noted that this proposal was not in the final budget. He stated that in the next 2 years, the Committee may be examining this issue and making some recommendations based on this proposal.

Mr. Isaacs said that the 1996/98 budget memorandum did state that any construction or renovation of courthouses, funded by the General Assembly, is to be done in accordance with the standards adopted by the National Center for State Courts. He stated that the Court Facilities Standards Committee would have to determine the best way to insure that these standards would be met and that any such facilities would meet the long-term needs of the Commonwealth.

Chairman Nesler said that today's meeting was called so that the Board could examine the actions of the 1996 General Assembly relative to the recommendations made in the 1994-2000 statewide capital improvements plan. He also said that during this meeting, the Board would begin to make decisions on how to proceed in the coming months prior to the review of the capital plans submitted by state agencies for the next statewide capital improvements plan. Chairman Nesler asked Ms. Ingram to review the 1996/98 biennial budget, particularly items of interest to the Board.

Ms. Ingram briefly described several aspects of the budget. She explained that a Statewide Deferred Maintenance Pool of over \$3.5 million would be used statewide for both university and agency projects. Ms. Ingram also explained the General Fund Capital Construction and Technology Trust Fund Plan which is to be financed from undesignated General Fund surplus at the end of fiscal year 1995/96. One half of the money in the plan will be used for funding technology projects under an initiative entitled EMPOWER KENTUCKY (Pool A). The other half will provide funding for capital construction projects from a prioritized listing (Pool B).

Ms. Ingram also stated that the \$200 million currently in the Budget Reserve Trust Fund would remain in the fund throughout the 1996/98 biennium. The budget does suspend, for the biennium, KRS 48.705 which requires that additional moneys go into the reserve when there is a budget surplus.

Ms. Ingram distributed a pie chart that showed the status of the Board's project recommendations as compared to the enacted budget. The chart showed that of the 97 prioritized projects, 24 were authorized from "state funds," which include the General Fund, Investment Income, Capital Construction Surplus, and State Bonds. In addition, 4 projects were authorized for Judicial Use Allowance payments, 18 are on the prioritized listing for General Fund Surplus Pool B, 11 are eligible for funding from General Fund Surplus Pool A, 9 were authorized from Restricted Agency Funds, and 2 were authorized in the Operating Budget. A total of 29 Board-recommended projects were not authorized. Most of the maintenance pools that the Board recommended were included in the budget. The budget also includes funding for the design of the Science Building at Northern Kentucky University, but does not include funding for the design of a new state office building. Ms. Ingram also stated that of the 29 projects not authorized by the enacted budget, 16 had been assigned priority numbers between 50 and 97 by the Board.

Mr. True asked if the 2 General Fund Surplus Pools would fund the prioritized projects, starting from the top priority, until the funding was exhausted. Ms. Ingram replied that a steering committee would be formed to select the technology projects to be funded from Pool A; Pool B will be used for projects on the prioritized list. Mr. True asked how much money was anticipated from the undesignated General Fund surplus. Mr. Hintze stated that the Administration was cautiously optimistic that most of these projects would be funded once the books were closed after June 30. He also stated that revenue receipts have slowed and that some funds that were expected to be surplus funds were used elsewhere in the budget process. He said the state was not experiencing a budget shortfall. However, agencies were being notified that in order to complete as many projects as possible, there must either be additional revenues during the final months of fiscal year 1995/96 or agency lapses from unspent money. Pools of unspent money have been identified in the areas of Education and Human Resources, and in unneeded debt service. Approximately \$130 million will be needed to fund all of the proposed projects.

Relative to Pool B, Mr. Hintze stated that funds had been appropriated in the budget for the projects through priority 5 and that sufficient funding exists at this time for all items through priority 9; additional revenues will be needed in order to address the remainder of the projects listed.

In response to a question by Mr. True, Mr. Hintze stated that both Pool A and Pool B were cash only pools and that a project on the list must be fully funded before the project will be started. The steering committee for the allocation of Pool A will make their recommendations when the amount of surplus is known, probably in mid or late July.

Chairman Nesler asked if there was any particular area in which revenues were much lower than expected. Mr. Hintze replied that revenues have slowed in many areas; all estimates currently indicate that the budget estimates will be met, but the amount of budget surplus is uncertain.

Mr. Cox asked about the status of Pool B projects for which the current-year surplus is insufficient to fund. Mr. Hintze answered that these projects are only approved for this fiscal year and that any which are not able to be funded would have to be reconsidered in the future. Mr. Cox asked if the Capital Planning Advisory Board would have a part in making recommendations concerning these projects. Mr. Hintze responded that this Board could monitor and make suggestions as this process continues.

Responding to Chairman Nesler's question, Mr. Hintze stated that the Board's statewide plan was used by the Governor in the process of choosing projects for Pool B and in the funding of maintenance pools. It was also used in making decisions on which projects to fund from cash in the regular budget. These projects include the renovation of the Capitol dome and the slope stabilization at the Capitol power plant.

Mr. True commended Gary Cox and the Governor's Office for Policy and Management for their work on the facility at Prestonsburg to be shared by Prestonsburg Community College and Morehead State University. Mr. Cox recognized the Board and Representative Greg Stumbo for their efforts in bringing about this project.

Chairman Nesler remarked that during the legislative session he was able to meet individually with many members of the Board to discuss the work of the Board. He said these sessions were helpful and informative, and that the suggestions made would help during the next planning process. He mentioned a few of the items that were discussed.

Chairman Nesler said that the subject of technology came up several times. While the Board is generally satisfied to have the Kentucky Information Resources Management (KIRM) Commission handle the detailed review of computing and communications

equipment in the agency capital plans, many members are very interested in knowing more about what state government is doing in this area. Space management, utilization, and acquisition were also mentioned frequently; some members felt there was a need to follow-up on the implementation of the Board's recommendations in this area. Other issues that were raised included maintenance of state facilities, the capital impact of juvenile justice issues and reforms, and updating the 1987 LRC study of state government space needs in Franklin County.

Chairman Nesler also mentioned that other matters discussed related primarily to the operation of the Board. Some members have said that knowing more about the capital planning and budgeting processes in areas of government other than their own would help in reviewing projects and making the statewide recommendations. Chairman Nesler said it was also suggested that the Board find more ways to make decision makers in all 3 branches more aware of the Board's work, and particularly the Board's recommendations. Additionally, there was considerable discussion of the method to use in making the project recommendations - whether a prioritized listing should be continued or whether another method would be better.

Chairman Nesler then asked for any additional comments or suggestions that any member would like to make.

Mr. Cox suggested that it would be helpful for concerns and interests of the Capital Planning Advisory Board to be identified earlier in order to be used in the Council on Higher Education's process of reviewing the university projects. He stated that by bringing the ideas of the Board and the Council together earlier, more could be accomplished. This is particularly important because of the large amount of capital funds that are involved in higher education projects.

Mr. True commented that Alabama is currently using state retirement funds to construct state office buildings. He said that he felt both the state and the Kentucky Retirement System could benefit from such a program. Mr. True also remarked that he was very interested in the construction of more state-owned office buildings. He would like to see staff research the Alabama approach and its possible implementation in Kentucky.

Chairman Nesler noted that the Board's 1994-2000 statewide plan included several recommendations, including proposed legislation. He asked Ms. Ingram to comment on these items.

Ms. Ingram said that the Board recommended 2 pieces of legislation. The first, House Bill 127, proposed some changes to the planning statutes. It passed the House of Representatives and was reported favorably by the Senate State and Local Government

Committee. However, it was recommitted to the Senate Appropriations and Revenue Committee late in the session and did not come to the Senate floor for a vote.

Ms. Ingram said that the second piece of legislation, which dealt with debt financing of state projects without legislative authorization, was House Bill 128. This bill would have prohibited a state agency or university from entering into an agreement with a non-state entity for a capital project without prior authorization from the General Assembly if that project would involve debt financing and if the project would ultimately be owned by a state agency or university. This bill passed the House but was not reported out of the Senate State and Local Government Committee.

Ms. Ingram also reported that House Bill 264 was passed by the General Assembly. This bill establishes in the Finance Cabinet an energy efficiency program for state facilities. Such a program was recommended by the Board in its 1992-98 statewide capital improvements plan.

In other areas, Ms. Ingram said the Board recommended that the Council on Higher Education plan for shared facilities be used by the various public higher education institutions. The Board was particularly concerned about information received in its July 1995 meeting that Morehead State University was proposing construction of a facility to house its extended campus program in Prestonsburg and that the University of Kentucky Community College System was also proposing the construction of a new building in Prestonsburg. A joint project for the 2 institutions was approved in the enacted budget as priority number 7 in Pool B.

She also said that the Board had an interest in reducing the prison population growth rate and recommended that the Executive and Legislative Branches make every effort to identify alternatives to incarceration that could reduce prison population growth and the need for construction of new facilities. Ms. Ingram stated that the Corrections Department had informed her that House Bill 267, enacted by the 1996 General Assembly, makes legislation enacted by the 1994 General Assembly regarding the persistent felony offender classification retroactive. HB 267 will have the one-time effect of making 200 inmates immediately eligible for parole.

Relative to the Board's recommendation for the establishment of a consulting group in the Division of Engineering to assist agency maintenance staff in the proper methods of maintaining and operating sophisticated systems that are now being placed in state facilities, Ms. Ingram said there was no money specifically put in the Finance and Administration Cabinet's budget for that purpose.

The Board's recommendation for increasing the Budget Reserve Trust Fund was addressed during the Summer 1995 special session. During that session, the Budget

Reserve Trust Fund was increased by \$100 million. It now stands at the \$200 million level. The statute that would increase the level of funding was suspended in the 1996/98 budget but there is still a sizable budget reserve of \$200 million.

Mr. Cox asked Chairman Nesler if it would be possible for the staff to inform the Board if there are any parts of House Bill 127, which proposed changes in the capital planning statutes, that could be adopted as procedure. Ms. Ingram stated that most items in this bill have already been addressed by administrative regulation and could continue to be approached this way.

Chairman Nesler said that he felt the recent meetings he had with members would be of great benefit as the Board begins the next planning process. He then asked members to review the summaries that Ms. Ingram provided members and make any comments to him or to Ms. Ingram. He stated that he was looking forward to the next planning process and that he hoped it would be easier this time.

Chairman Nesler asked Ms. Ingram to review the proposed tentative schedule for meetings in the 1996 and 1997 calendar years. Ms. Ingram said the upcoming schedule was based on members' interests and concerns. The goal in the next few months is to talk about some of the bigger issues that the Board will not have time to cover during the review of agency plans in 1997. She noted that the Board is required by statute to meet at least twice in each calendar year. It was proposed that in Summer 1996, the Board may be able to address the status of previous Board recommendations, particularly those on space management, utilization, and acquisition. This is an area in which the Board has had an interest, and several of its recommendations have been enacted into statute. One of these, the master plan for state facilities in Frankfort, is expected to be completed by the Department for Facilities Management in 8 or 9 months. Ms. Ingram said she thought it might be helpful for the Board to have an update on this plan and to have some input before the plan is finalized to let the Department for Facilities Management know what type of information would be helpful to this Board.

Ms. Ingram said that maintenance issues have also been an area of interest for the Board. There have been some recommendations made, including one addressing maintenance in higher education facilities. At the Summer 1996 meeting, it may be beneficial to hear from the Council on Higher Education concerning that recommendation. The Board may also want to receive a report on allocations from the Statewide Deferred Maintenance Pool, as well as hearing from some state agencies on how they deal with maintenance issues.

In Fall 1996, the Board will need to take action on the planning instructions and forms that will be sent to the agencies for use in submitting their next capital plans. The Board may also wish to discuss technology issues such as the role of the Kentucky

Information Resources Management (KIRM) Commission and the allocation of funds under the EMPOWER KENTUCKY program. The fall meeting agenda could also address juvenile justice issues and their implications for the state's capital needs.

At a Spring 1997 meeting, the Board will need to prepare for the review of the individual agency plans. This preparation could include an orientation on the planning and budget processes for the various areas of government. The Board may also want to hear a report on the Frankfort state facilities master plan and a presentation by the Long Term Policy Research Center.

The Summer 1997 meeting will be a 2-day meeting to review all agency capital plans at one time and to begin drafting recommendations for the next statewide capital improvements plan. Ms. Ingram noted that this is a tentative schedule and that members may think that more meetings are necessary or that different topics should be discussed. She said that she would appreciate any suggestions from members concerning this schedule.

Chairman Nesler asked if members had any comments or questions concerning the tentative schedule and agendas or any questions about the Capital Planning Advisory Board in general.

With no further business before the Board, the meeting was adjourned at 11:15 a.m.